

18th ANNUAL REPORT

1999-2000

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Visaka Industries Limited

CONTENTS

	Page No
Notice	2
Directors' Report	6
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Schedules to the Accounts	14
Notes on Accounts	20
Cash Flow Statement	24
Balance Sheet Abstract	26



VISAKA INDUSTRIES LIMITED

18th Annual Report 1999-2000

Board of Directors

Chairman

K S R Murthy, Ex-M.P. (IAS Retd.)

Vice-Chairman

G Vinod

Directors

M Anandam

M Sreenivasa Rao

B B Merchant

Nagam Krishna Rao

Dr S Sudesh Reddy

H. Dayakiran

(Alternate Director to Dr S Sudesh Reddy)

K V Ramaseshan

Gusti Noria

Managing Director

Dr. G Vivekanand

Company Secretary

T N Kannan

Auditors

M/s M Anandam & Co.

Chartered Accountants,

6549, R P Road,

Secunderabad - 500 003.

Bankers

State Bank of India

Industrial Finance Branch, Hyderabad.

State Bank of Hyderabad

Industrial Finance Branch, Hyderabad.

Shareholder's Information

Registered Office

Survey No.315, Yelumala Village,

R C Puram Mandal, Medak District - 502 300.

Corporate Office

"Visaka Towers", 1-8-303/69/3,

S P Road, Secunderabad - 500 003.

Factories

1. AC Division - 1

Survey No.315, Yelumala Village,

R C Puram Mandal, Medak District - 502 300.

2. A C Division - 2

Behind Supa Gas, Manickanatham Village,

Paramathi - Velur Taluq, Namakkal District,

Tamil Nadu - 637 207.

3. Textile Division

Survey No. 179 & 180, Chiruva Village,

Mouda Taluq, Nagpur District, Maharashtra.

Listing

Hyderabad Stock Exchange

Bombay Stock Exchange

National Stock Exchange and

Madras Stock Exchange

Listing fees paid for all the above Exchanges.

Book Closure

16-05-2000 to 26-05-2000

Date, Time and Venue of AGM

26.05.2000 11.00 am at Registered Office:

Communication regarding Share Transfers, Dividend, Change of Address, etc., may be addressed to :

"Secretarial Department",

Visaka Industries Limited,

"Visaka Towers" 1-8-303/69/3,

S.P Road, Secunderabad

Visit us at : www.visaka.org

**NOTICE**

Notice is hereby given that the 18th Annual General Meeting of VISAKA INDUSTRIES LIMITED will be held at its Registered Office at Survey No.315 Yelumala Village, Ramachandrapuram Mandal, Medak Dist. 502300 Andhra Pradesh, on Friday, the 26th day of May, 2000 at 11.00 AM to transact the following business.

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To ratify the declaration of Interim Dividend on the Equity shares for the year ended 31st March, 2000.
3. To appoint a Director in place of Shri G.Vinod who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. S Sudesh Reddy who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company :

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT M/s. M. Anandam & Co., Chartered Accountants, 6549, R.P.Road, Secunderabad-500003, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised to fix their remuneration for the period”.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT Shri Gusti Noria be and is hereby appointed as Director of the Company, liable to retire by rotation”.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary resolution.

“RESOLVED THAT the consent of the company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any of the Companies Act, 1956 to mortgaging and or charging

by the Board of Directors of the company of all the movable and immovable properties of the company wheresoever situate, present and future, and the whole of the undertaking of the company together with power to take over the management of the business and concern of the company in certain events, to or in favour of INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) to secure its rupee term loan amounting to Rs.825 lakhs sanctioned under Corporate Loan Scheme together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment cost, charges, expenses and other moneys payable by the company to Industrial Development Bank of India under its respective Heads of Agreement/Loan Agreement/Letters of Sanction/Memorandum of Terms and conditions entered into/to be entered into by the company in respect of the said term loan.”

“RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to finalise with Industrial Development Bank of India the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution”.

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary resolution.

“RESOLVED THAT the consent of the company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any of the Companies Act, 1956 to mortgaging and or charging by the Board of Directors of the company of all the movable and immovable properties of the company wheresoever situate, present and future, and the whole of the undertaking of the company together with power to take over the management of the business and concern of the company in certain events, to or in favour of ICICI Ltd., to secure its rupee term loan amounting to Rs.700 lakhs sanctioned under Corporate Loan Scheme together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment cost, charges, expenses and other moneys payable by the company to ICICI Ltd., under its respective Heads of Agreement/Loan Agreement/Letters of Sanction/Memorandum of Terms and conditions entered into/to be entered into by the company in respect of the said term loan.”

“RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to finalise with ICICI Ltd., the documents for creating



aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution”.

9. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to Sections 198, 269, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Financial Institutions, the company hereby accords approval for the reappointment of Dr.G.Vivekanand as Managing Director of the Company with effect from 1st April, 2000 on the following terms and conditions:

- a) Salary : Rs.85,000 per month with increments on 1st April every year at the discretion of the Board.
- b) Commission : As may be approved by the Board of Directors for each year subject to the overall limit of the total remuneration of each year as provided under Section 309 of the Act.

PERQUISITES :

In addition to salary, Dr.G.Vivekanand shall be entitled to the following perquisites subject to the overall remuneration being within the limits provided by Sections 198, 309 and Schedule XIII to the Companies Act, 1956.

Perquisites are classified into three categories A, B and C as follows:

CATEGORY A

1. HOUSING I :

The expenditure incurred by the Company on hiring furnished accommodation will be subject to the following ceiling:

50% of salary.

HOUSING II:

In case no accommodation is provided by the company, Dr.G.Vivekanand shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings will be valued as per actuals.

2. MEDICAL REIMBURSEMENT :

Expenses incurred for self and family subject

to a ceiling of one month's salary of Dr. G. Vivekanand in a year or three months's salary over a period of three years.

3. LEAVE TRAVEL CONCESSION :

For self and family once in a year in accordance with the Rules of the Company.

4. CLUB FEES :

Fees of clubs subject to a maximum of two clubs shall be reimbursable. Admission fee and Life Membership fee of clubs shall not be payable or reimbursable by the Company.

5. PERSONAL ACCIDENT INSURANCE :

Premium not to exceed Rs.4000 per annum

For the purpose of Category 'A' "family" means the spouse, dependent children and dependent parents of Dr.G.Vivekanand.

CATEGORY B :

1. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and Gratuity payable which shall not exceed half a month's salary for each completed year of service which are not to be included in the computation of the ceiling on perquisites.

2. Encashment of Leave at the end of the tenure which are not to be included in the computation of the ceiling on perquisites.

CATEGORY C :

Provision of the following facilities which are not to be included for the purpose of computation of the ceiling on perquisites:

1. Free use of Company's Car:

Provision of car for use on Company's business. Use of car for private purpose shall be billed by the Company to the Managing Director.

2. Free telephone at residence:

Provision of telephone at the residence of the Managing Director, personal long distance calls shall be billed by the Company to the Managing Director.

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution.

“RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the companies Act, 1956, (including any statutory Modification or re-enactment thereof for the time being in force) Article



126 (2) of the Articles of Association of the company be and is hereby amended as under:

The phrase "not less than fifteen days notice in writing" shall be substituted by the phrase "not less than seven days notice in writing".

By order of the Board

Date : 24.04.2000

Place : Secunderabad

T.N. Kannan

Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty eight hours before meeting.
2. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 to 10 as set out above is annexed hereto
3. The Board of Directors of your company in their meeting held on 31.03.2000 declared an interim dividend @ 16% on the equity capital of the Company, for which, 16.05.2000 to 26.05.2000 will be the book closure dates for determining the names of the shareholders who would be eligible to get the Interim Dividend. No final dividend is proposed.
4. The register of members and share transfer books of the Company will remain closed from 16th May, 2000 to 26th May, 2000 (both days inclusive) for the purpose of AGM and interim dividend.
5. Members who are holding shares in identical order of names in more than one folio are requested to intimate the Company the details of all their folio numbers for consolidation into a single folio.
6. Members desiring any information as regards accounts are requested to write to the Company atleast seven days before the date of meeting to enable the management to keep the information ready at the meeting.
7. All documents referred to in the Notice and explanatory statement are open for inspection at the Registered Office of the Company during office hours on all working days except public holidays, between 11.00.a.m and 1.00 p.m upto the date of the Annual General Meeting.
8. The Register of Directors Shareholdings shall be open for inspection to any Member or holder of Debentures

of the Company during the period beginning 14 days before the date of Company's Annual Meeting and ending 3 days after the date of its conclusion.

The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the meeting.

9. Pursuant to section 109 A of the Companies Act, 1956, every shareholder of the Company may at any time nominate in the prescribed form No.2B, a person to whom his/her shares of the Company shall vest in the event of his/her death.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No.5

Since Mr. M.R.Vikram, Mr. M.V.Ranganath and Mr.M.Simachalam, Partners of M/s M.Anandam & Co., are related to Mr.M.Anandam, Director, Mr.M.Anandam is deemed to be interested in the resolution set out at item no.5.

Item No.6

Shri Gusti Noria was appointed as an Additional Director under section 260 of the Companies Act, 1956 and would hold office till the date of the Annual General Meeting i.e 26.05.2000. The Company has received notice from members signifying their intention to propose Shri Gusti Noria as a candidate for the office of Director. The Company has also received deposit of Rs.500 as required under the said Act. None of the Directors other than Shri Gusti Noria is in any way concerned or interested in the said resolution.

Item No.7

The Company has approached IDBI for substituting the higher Interest Cost PFS loans of Rs.33 lakhs, Rs.800 lakhs and corporate loan of Rs500 lakhs respectively availed earlier by the Company from the said Institution for meeting the Capital Expenditure and long term working Capital requirements of the Company with the lower interest cost Rupee Term Loan of Rs.825 lakhs under the corporate Loan Scheme.

The financial assistance from the above institution has to be secured by a first mortgage of all the immovable and movable properties of Company, present and future.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one

18th ANNUAL REPORT

undertaking of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institution may be regarded as disposal of the Company(s) properties/undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/charges.

Copy of the letter of Sanction No.4440/pfd (154) dt.27.07.1999 received from IDBI, and copies of the relevant documents/correspondence between the said institution and the Company are open for inspection at the Registered Office of the Company between 11.00 a.m and 1.00 p.m on any working day prior to the date of the meeting.

None of the Directors of the Company are interested in the resolution.

Item No.8

The Company has approached ICICI Ltd., for substituting the higher Interest Cost Rupee Term Loans of Rs.350 and 85 lakhs respectively availed earlier by the Company from the said Institution for part financing the Cost of setting up Asbestos Cement Sheets Plant in Tamil Nadu and Textile Unit in Maharashtra respectively with the lower Interest Cost Corporate Loan of Rs.700 lakhs. Out of the aforesaid Corporate Loan of Rs. 700 lakhs availed now, Rs.300 lakhs is towards substitution of Rupee Term Loans availed earlier and the balance Rs. 400 lakhs is towards Additional Loan, now being availed for part financing the cost of Capital Expenditure and Working Capital respectively.

The Financial Assistance from the above institution has to be secured by a first mortgage of all the immovable and movable properties of Company, present and future.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public Company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial

institution may be regarded as disposal of the Company(s) properties/undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/charges.

Copy of the letter of sanction No. MC/9847 dated 21.02.2000 received from ICICI Ltd., and copies of the relevant documents/correspondence between the said institution and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M and 1.00 P.M on any working day prior to the date of the meeting.

None of the Directors of the Company are interested in the resolution.

Item No.9

Dr.G.Vivekanand, who is the Promoter Director of the Company, was reappointed as the Managing Director of the Company for a period of 5 years with effect from 01.07.1996. Keeping in view, the valuable contribution made by Dr.G.Vivekanand towards the success of the Company, your Board of Directors in their meeting held on 24.04.2000, have reappointed him for a further period of 5 years commencing from 1st April, 2000 at a remuneration as set out in resolution which is as per the provisions of Companies Act, 1956.

None of the Directors of the Company except Dr.G.Vivekanand and Mr.G.Vinod who is a relative of Dr.G.Vivekanand are interested in the said resolution.

Item No.10

Article 126(2) of the Articles of Association of the Company provides for giving not less than 15 days notice in writing for conducting meeting of Board of Directors of the Company. Now, for the sake of procedural convenience, it is felt desirable to reduce the period of serving Board Meeting Notice from 15 days to 7 days by amending the said Article. The Board of Directors recommend the above for your approval.

None of the Directors of the Company are interested in the said resolution.

By order of the Board

Date : 24.04.2000
Place : Secunderabad

T.N. Kannan
Company Secretary



DIRECTORS' REPORT

REPORT OF THE DIRECTORS

To

The Members

Visaka Industries Limited

Your Directors are pleased to present the 18th Annual Report of the Company with Audited Balance Sheet and Statement of accounts. The financial highlights are as follows :

(Rs. in lakhs)

	1999-2000	1998-99
Gross Income	13088.38	11592.27
Profit for the year before taxation	605.18	198.81
Provision for taxation	80.76	20.90
Profit for the year after taxation	524.42	177.91
Balance brought forward from previous year	122.66	226.37
Transfer from Investment Allowance Reserve	64.57	—
Transfer from Debenture Redemption Reserve	26.00	—
Transfer from Excess Provisions	1.15	—
Profit available for appropriation	738.80	404.28
Transfer to Debenture Redemption Reserve	42.00	42.00
Dividend on Preference Share Capital	30.00	30.00
Dividend on Equity Share Capital	170.79	64.25
Corporate Dividend Tax	22.09	10.37
Transfer to General Reserve	231.61	105.00
Transfer to Capital Redemption Reserve	30.00	30.00
Balance Carried to Balance Sheet	212.31	122.66

OPERATIONS

PROFIT & LOSS ACCOUNT APPROPRIATION :

Your Directors declared an Interim Dividend of Rs.1.60 per share (previous year Rs.0.60 per share final dividend) on the equity capital for the year ended 31st March, 2000. Your Directors also declared a Dividend of Rs.12.00 per share on the preference share capital of Rs.100/- each. The company is absorbing corporate Dividend Tax totalling Rs.22.09 lakhs on the preference/Equity dividend and the dividend will be tax free in the hands of the shareholders. No final Dividend is proposed.

ASBESTOS CEMENT DIVISIONS

Visaka's production and sales for the year 1999-2000 have been 87040 MT and 84405 MT respectively recording a sales growth of about 17% over the previous year. The Production and sales of Visaka, if measured per Plant is the highest in the Industry. The capacity utilisation in the Patancheru and Paramathi Plants have been 130% and 112% respectively compared to 117% and 94% respectively for the previous year. Due to continuous innovation and debottlenecking efforts coupled with penetrative marketing efforts, production and sales are expected to continue to grow in the coming years.

The financial performance of both the Asbestos Units has been satisfactory. The Company could save significant costs on raw material, overheads and staff costs due to the implementation of VRS at the Patancheru Plant last year. Though the market continued to be very competitive with prices of finished goods declining sharply, the Company could largely offset its effect by controlling costs and increasing volume. With continuing efforts to increase volumes further and improvised marketing strategies coupled with continued efforts to reign in costs, this Division is expected to perform well in the coming year. Also, due to steps taken during the current year, the interest costs of this Division are expected to reduce significantly during the next year.

SPINNING DIVISION

Visaka's production and sales are 4047 MT (3789 MT in 1998-99) and 4139 MT (3751 MT in 1998-99) respectively with increased share of exports (1694 MT) over the previous year of (963 MT). This represents an increase of 10% in sales and 7% in production over the last year and exports have also increased by 76% over the last year. Due to increased exports, the availability for the domestic market could be better balanced to demand thereby increasing margins significantly. Seasonal specialities like Black and Frosted shade yarns performed better during the winter season in the domestic market. With established and